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Merchandising exteriors . . . p. 25

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National Home Center News®

21 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc.

October 11, 1982
$7 per year $2 per copy

Hechinger to extend reach into Lowe's home market

LANDOVER, Md.—Hechinger's decision to plunge into the heartland of Lowe's country is still raising eyebrows among home center followers both in and outside the industry.

The plan, as officially unveiled last month, calls for extending the 34-store chain's reach significantly beyond its traditional 200-mile market area, with the opening of five new stores in North Carolina. The first is scheduled to debut in Winston-Salem in February 1983. Other outlets are slated for Greensboro, Durham, Raleigh and Charlotte.

The lure to expand into North Carolina was the prospects for growth, says chain president, John W. Hechinger. The recent expansion of Hechinger's distribution center by nearly 25% to 500,000 sq. ft. will allow the Landover, Md.-based operation to nearly double its market radius.

In addition, the chain is installing a computer system that will integrate an extensive backhauling system so that Hechinger trucks can pick up goods from suppliers en route back to the distribution center.

According to Hechinger, the distribution center will be capable of servicing up to 55 stores.

That is nearly as many stores as Lowe's operates in the state of North Carolina alone.

"Lowe's has more stores in North Carolina than in any other state," acknowledged Richard England, Hechinger chairman. "But some of their oldest and most out-of-date stores are there."

Still, the announcement of the expansion plan surprised many industry observers who expected Hechinger, which had sales of $210 million in 1981, to concentrate on Philadelphia where it opened its third store last month and has plans for a total of 15.

Eliot Benson, vice president and director of research at Ferris & Co., Washington, D.C., sees great risk in Hechinger's southern venture.

The main obstacles, according to Benson, is Hechinger's unfamiliarity with the market, the distance and Lowe's.

(Continued on page 50)

Hechinger will enter North Carolina for the first time early next year, a move made possible by the expansion of the chain's distribution center. NHCN photo

Number of brands carried

	Paint	Stain
One	59%	45%
Two	29%	38%
Three	8%	9%
Four	2%	6%
Five or more	2%	2%

Survey: Quality, service key in paint vendor choice

By John Caulfield
NHCN associate editor

NATIONAL REPORT—Six out of every 10 home centers now stock only one brand of paint, and 9 out of 10 stock only two brands, indicating dealers are making do with fewer paint lines, according to a new industry survey conducted by *National Home Center News*.

Dealers also indicated that for vendors vying for shelf space, quality ranked highest as a reason retailers choose a paint product, followed by vendor service and delivery.

The survey, conducted this summer, found that 88% of the 171 home centers responding said they carried only two paint lines, with a full 60% using only one vendor; in the stain category, 83% of the respondents were stocking two brands, with 45.3% carrying one.

In fact, a trend toward fewer paint lines was illustrated by the survey's data showing that only 12% of the participating home centers carried three or more paint brands, 17% three of more stain lines. One hundred out of 176 total respondents stock national brands only.

From the total of 80 paint and stain brands carried by the respondents, it can be concluded that one or two stain lines have cornered the home center market, although no one paint

(Continued on page 25)

Plywood Minn sells 8 units; only 9 left

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—Plywood Minnesota has sold its eight stores in the Chicago market, leaving the Minneapolis-based chain with only nine units total compared with 64 just a year ago.

The Chicago stores were sold, at an undisclosed price, to a married couple with retailing backgrounds who plan to keep the Plywood Minnesota name and refine the chain's basic approach.

According to Mary Baim, president of the Chicago firm, the eight stores produce sales of about $10 million per year, although at their peak each unit accounted for $2 million annually.

The original chain will concentrate in the markets where its nine stores remain—Minnesota, Iowa, North Dakota and Indiana—according to Gerry Boschwitz, who now runs the company along with his brother Ken.

Plywood Minnesota never fully recovered from the departure of their father, Rudy Boschwitz, the firm's founder,

(Continued on page 49)

Chains ready campaign war chest

By Ken Rankin
NHCN Washington correspondent

WASHINGTON—Home center chains and industry trade groups increased their political fund-raising efforts dramatically since the 1980 Reagan landslide and now appear in a position to contribute over $400,000 to Congressional candidates in next month's elections.

An exclusive *National Home Center News* analysis of Political Action Committee reports on file at the Federal Election Commission uncovered no less than 10 home center industry fund-raising groups actively collecting campaign contributions for Federal and state candidates.

By the Government's most recent (mid-July) filing deadline, these home center PAC's had already collected more than $350,000 since the 1980 elections, in addition to another $45,000 left over from the last Congressional campaign.

Although home center PAC's have already doled out more than $180,000 during the past 22 months to selected political candidates, over half of the industry's total "war chest" is still available for 11th hour contributions during the '82 campaign home stretch.

Both trade association and corporate fund-raising committees are permitted by law to

(Continued on page 49)

Where home center campaign money is going

Sponsor	$ Contributions to:* Democrats	$ Contributions to:* Republicans	# of Contributions to: Democrats	# of Contributions to: Republicans
Boise Cascade	$ 1,800	$ 19,800	3	26
Cyclops	2,300	1,200	6	4
SW Forest Industries	4,532	4,800	6	7
Union Camp	7,300	35,100	19	49
W. R. Grace	3,750	1,400	15	5
Weyerhaeuser	9,025	6,800	12	9
Weyerhaeuser (shareholders)	12,275	18,025	23	30
Wickes	200	1,100	1	2
TRADE ASSOCIATIONS				
Nat'l Forest Products Assn.	27,225	23,175	51	57
TOTALS	**$68,407**	**$111,400**	**136**	**189**

*Source: NHCN analysis of FEC records. *Congressional candidates only. Cyclops operates Busy Beaver, Union Camp operates Homecrafters*

NEWSBREAKS

SITES AVAILABLE. Home center retailers are likely to join the scramble to claim 336 leased Woolco locations now that F. W. Woolworth, New York, has decided to close its $2.3 billion discount store division early next year. The chain was once ranked No. 3 in total number of DIY departments among discounters (*NHCN*, Oct. 22, 1979) but trimmed the departments considerably about a year ago in favor of a beefed up apparel image.

INSIDE

SCOTTY'S announces new strategies to meet competition from Home Depot in Orlando, Fla., market ..... page 2
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HOME DEPOT launches promo blitz for DIY clinics 3
RETAILERS are wary that anticounterfeiting bill is a smokescreen for enforcing retail price maintenance 3

DIY Industry update

Lindsley forms two regions

MIAMI—Lindsley Home Centers is undergoing a major restructuring, according to general manager Hank Kirschner.

The 43-unit, $155-million operation is being divided into two regions, he said. And there are several top-level managerial changes.

Shawn Lee, a former FedMart and Montgomery Ward executive and Bill Van Note, Lindsley's director of operations-administration, were named to head the regions. Van Note also previously worked at Boise Cascade and Grossman's, which, like Lindsley, is an Evans Products chain.

Martin Amici, who directed marketing at Forest City and Gold Triangle replaces Dave Wicker as Lindsley's new director of marketing-advertising. Wicker had been with Lindsley about a year.

Also departing is Ed McClelland, Lindsley senior vice president of store operations who had been with the chain for six and a half years.

Kirschner, who joined Lindsley from Grossman's last spring after the departure of Pat Sher (*NHCN*, May 10), reportedly asked McClelland to give up some control.

Paty launches new prototype

Paty Lumber, Piney Flats, Tenn., will launch a new prototype next month aimed at building DIY sales.

The $33 million chain, which is about 65% DIY, is now in the process of converting its Johnson City, Tenn., store. By the end of the year all six of the firm's units will be changed over, according to John Seward Jr., president.

The Johnson City store will expand from 18,000 to 20,000 sq. ft., with an additional 18,000 sq. ft. of attached outdoor space.

The other units range in size from 7,500 to 20,000 sq. ft. and will be changed in varying degrees. All will be remodeled with a race track layout, and sku's will be increased from the current average of about 10,000.

Wallpaper and other decorative items will be strengthened, according to Seward, and lawn and garden will be expanded.

Fla. chain takes Home Shop name

JACKSONVILLE, Fla.—AMSHEL, the real estate and retailing company, has announced the rechristening of its second hardware chain acquisition. Towers Hardware and Home Centers, a Jacksonville chain, acquired by AMSHEL last June, will become The Home Shop officially on Oct. 1.

The eight Towers locations to come under the new banner will incorporate The Home Shop concept of a big business with a neighborhood feel and a mix of merchandise to accommodate women as well as men. Two new stores will join the chain in Jacksonville in November bringing The Home Shop total to 24 stores.

AMSHEL plans to continue its expansion of the Richmond, Va.-headquartered Home Shop chain throughout the Southeast, in particular Florida, in small- to medium-sized cities over the next several years.

Lowe's planning super RSVP

CHARLOTTE, N.C.—Lowe's is developing a 20,000-sq.-ft. version of its RSVP consumer-oriented store design, chairman Robert Strickland revealed late last month at a meeting here of the Financial Analysts Federation.

The design is still on the drawing board, Strickland told *NHCN*, and possible markets for the Super RSVP store remain a secret. But he acknowledged the extra space would be used to deepen the 233-unit chain's product mix, rather than for additional product categories.

So far the North Wilkesboro, N.C., chain has retrofitted 95 of 117 stores slated for the RSVP face-lift, at an average cost of $100,000 per store. Most of those stores offer about 12,000 sq. ft. of selling space.

National Home Center News

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 8, No. 21 October 11, 1982

Scotty's shifts gears in Orlando to meet Home Depot competition

By Greg Puchalski
NHCN senior editor

NEW YORK—Scotty's officials have already employed new strategies in Orlando, Fla., in preparation for their first test against The Home Depot in that market. The changes were announced at a meeting with the New York Society of Security Analysts here last month.

Many of the analysts passed up the opportunity to question Scotty's about its internal operations and its recently released annual report.

Instead, they focused on Scotty's reactions to recent developments at their Florida competitors, particularly The Home Depot, which has announced plans for two units in Orlando, and Lindsley, which along with other Evans Products retail chains is on the block (*NHCN*, Sept. 27).

"We've already started with our promotions in the area," said executive vice president Dennis Stults about Orlando. "We can have different prices at each one of our stores if we wanted to and in Orlando, we already have some unique pricing."

"The Home Depot might have to lower some of their prices to compete with us."
James Sweet, chairman, Scotty's, Winter Haven, Fla.

"We've already started with our promotions in Orlando. We already have some unique pricing there."
Dennis Stults, executive vice president, Scotty's.

In general, the chain's officials indicated that their nine stores in the Orlando area are well-suited to meet any competition there.

"We've always been promotional and we'll continue that," related chairman James Sweet. "We're there first. Competition is not new to us. We wouldn't treat The Home Depot any different than any other competitor. We have good prices and we feel no one is buying any better than we are.

"The Home Depot might have to lower some of its prices to compete with us. We have been familiar with them and their style since they opened, but we have several formats too. We have a set strategy. They'll see a different environment in Orlando than they saw in Miami."

The Home Depot's main Miami competitor, Lindsley, also drew interest from security analysts and from Scotty's officials because of its parent Evans' plans to dispose of its retail outlets.

"We've had an interest in Lindsley stores for a long time," Sweet said. "We always wanted to be in that market [southern Florida]. We're inter-

(Continued on page 50)

Causeway set to close 2 units; DIY brass out

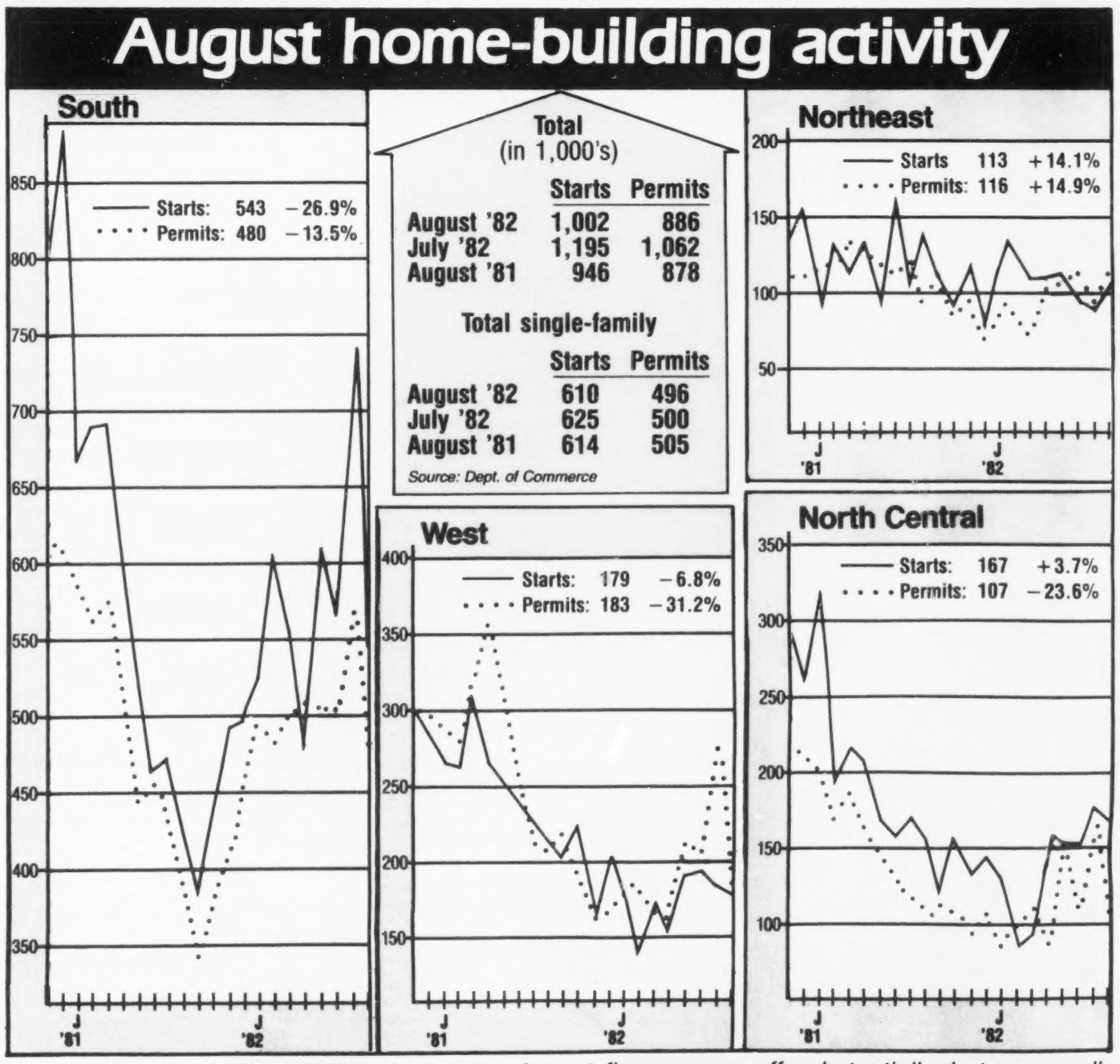
FORT LAUDERDALE, Fla.—Causeway Lumber plans to close two of its four Red Thumb home center units, located in Plantation and Margate, Fla., on Oct. 30, while opening one home center in Bonita Springs where it already has a Causeway Lumber Yard.

According to director of retail operation Scott Widdon, son of the chain's chairman Gene Whiddon, the "change in buying patterns" in the state's Broward County precipitated the closings. However, the Bonita Springs unit, set to open Oct. 25, will be located between Naples and Fort Myers. The latter is one of the 10 fastest-growing metropolitan areas in the country. When the stores are closed, "approximately" 40 employees will be let go, according to a Causeway source.

In the wake of the chain's cutbacks, general manager Glenn Spoor and buyer Kamal Kanafani have left the company. Each was concerned exclusively with the Red Thumb operation.

No replacements have been named. At presstime, their reasons for departure were not given.

August home-building activity



After July's sharp upturn in housing starts, August figures were off substantially, but seasonally adjusted total starts remained just above one million. July's figures were fueled mostly by strong Government building in the South. Seasonally adjusted starts in that region were off 26.9% for August. Total seasonally adjusted permits were also off, 16.6%. Total seasonally adjusted single family starts were 610,000, off 4.1%. Permits for that category totaled 496,000, off 1.2%.

MERCHANDISING SPOTLIGHT

Survey: Quality and service key in paint vendor choice

(Continued from page 1)

maker showed overwhelming dominance. However, while the paint market remains spread out among numerous major manufacturers, only a handful received a high response level in the survey.

When asked what criteria they considered "very important" in selecting one paint vendor over another, the highest number of responding dealers, 73%, said that a quality product was foremost in their decision, with 58% ranking service and 55% vendor delivery. (Respondents to the questionnaire generally listed more than one characteristic under "very important.")

Surprising among those vendor requirements getting low grades were POS merchandising (25%), packaging (23%) and private labeling (a very low 21% in this ranking). In fact, while almost all of the top 15 home center chains in the country stock their own paint brand to some degree, only 32% of the survey's respondents claimed to do so, which is even more peculiar in light of the fact that, according to the study's results, private label sells: of the 56 dealers who said they carried private label paint, 57% noted the product made up more than half of their paint departments' volume, with 43% reporting that private label paint generated over 60% of their stores' paint sales.

Retailers have complained in the past that the home center industry has been over-promoting paint and sundries to the detriment of product profitability (*NHCN*, Aug. 16), an assessment only partially borne out by the survey. There does appear to be more promotional activity going on among the survey's respondents: 31% promote paint monthly, 21% do so biweekly and another 17% promote on a weekly basis.

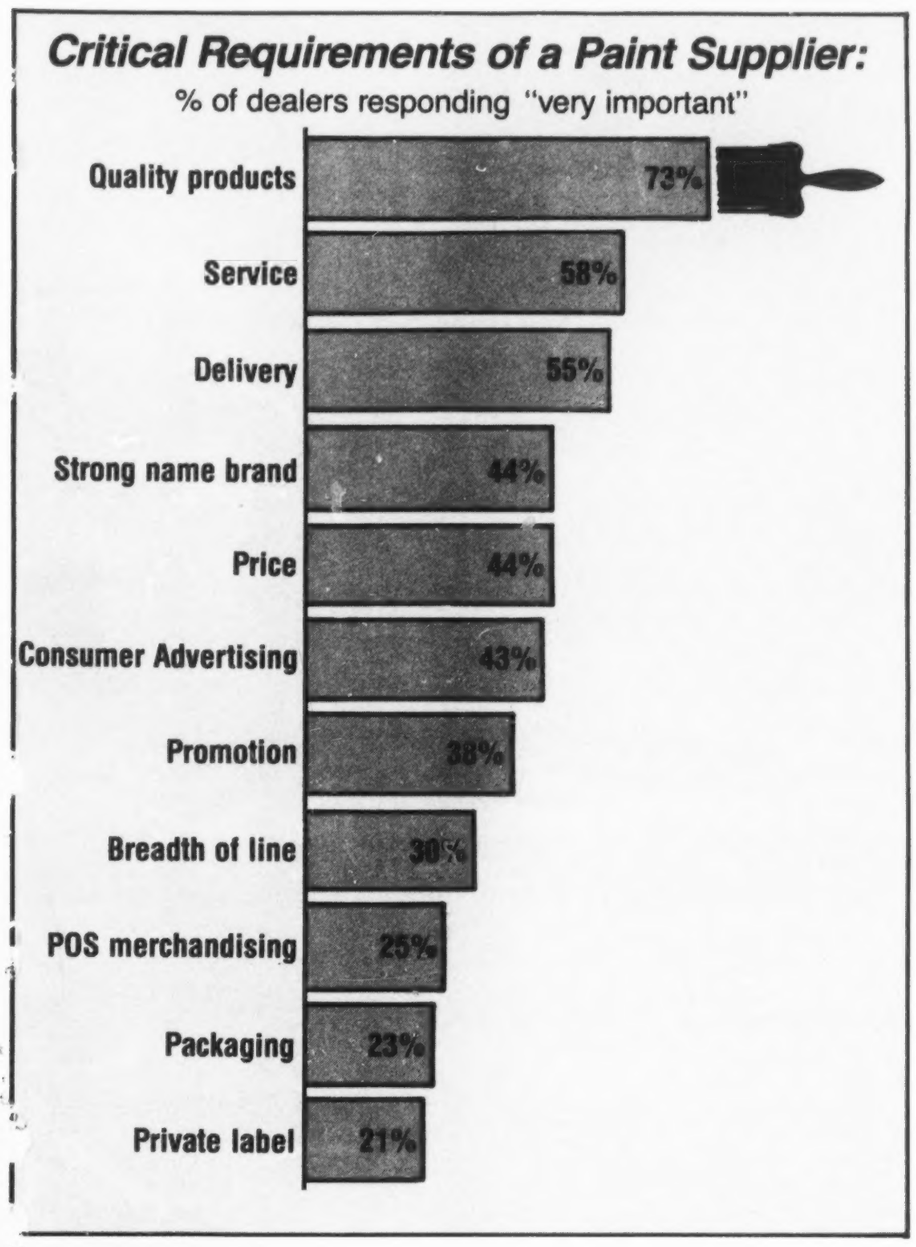
But whether the frequency of these promotions has eroded the sales and earnings an individual dealer derives from paint is difficult to gauge from the survey. For instance, when it came to gross margin, a remarkably high 45% of the responding home center operators claimed that their stores' average gross margins on paint were above 35%, with another 39% capturing gross margins of between 26%-35%. (According to the Home Center Institute, Indianapolis, the projected 1982 gross margins from the sale of paint and sundries in the home center industry will average 34.4%.)

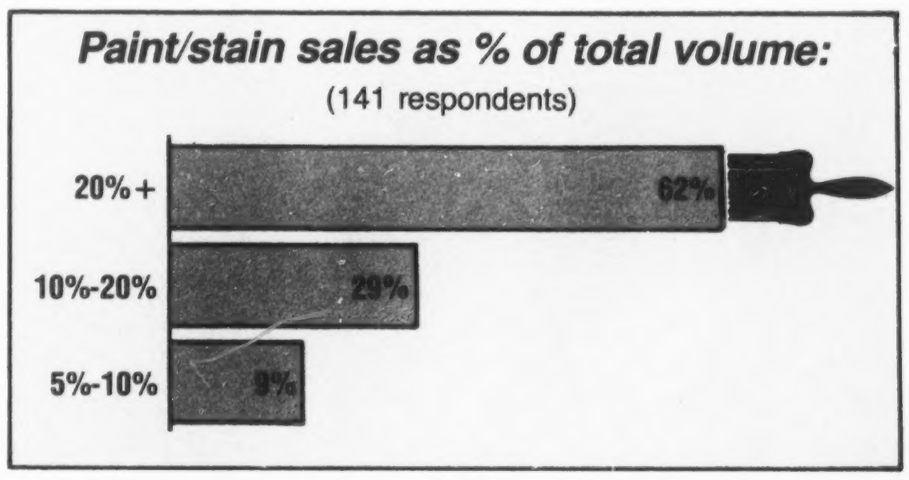
However, the significance of paint sales and earnings as a percentage of a store's total volume could be adversely affected by over-promotion. For 61% of the responding dealers, paint represented less than 10% of their stores' total gross profit. The product made up between 10%-20% of the total gross profits for 18% of the responding home centers, and 21% of the retailers said that paint represented over 20% of their stores' earnings.

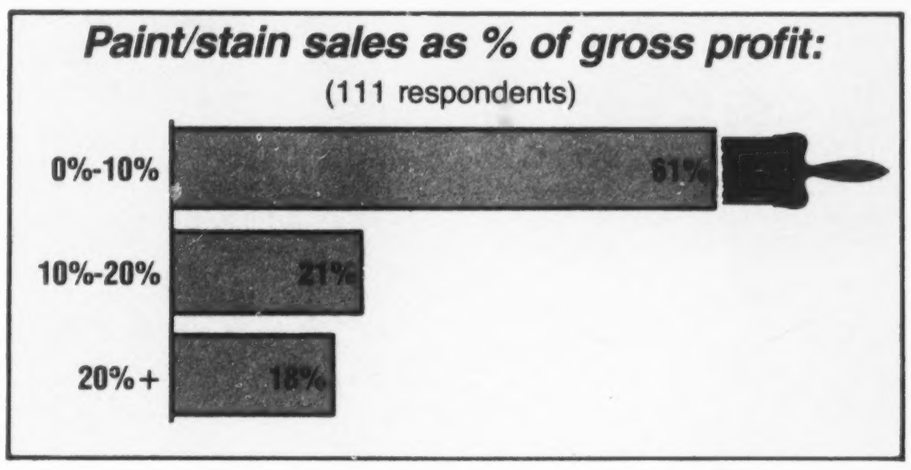
Revenues pretty much followed suit with earnings: 62% of the respondents were getting less than 10% of their total sales from paint and stain, with 29% of the dealers getting between 10%-20% of total volume from the products, and another 9% claiming that paint made up over 20% of their stores revenues.

Nineteen out of 150 retailers answering the question said they were thinking of adding to or changing their paint lines this year.

Forest City's Cleveland headquarter store uses a suspended extension ladder as a cross bar to merchandise its paint sundries with its stains and paints. NHCN photo







DIYers are applying exterior products indoors

BIRMINGHAM, Mich.— When Erb Lumber decided to remodel five of its 33 units last year, it chose 1 x 4 tongue and groove siding for both inside and outside applications.

The kiln-dried, inland red cedar was used outside for store fronts and inside to highlight certain areas like lowered soffits over the checkout area.

Erb officials were pleased with the new look and with a surprising result: customers started asking for the siding, which at the time was not in stock.

It is now. Erb has since sold more than 100,000 board feet, according to Pat Young, vice president, purchasing. The siding sells for 33¢ per linear foot at a margin near 50%.

About 60% of the product is bought for interior applications. That fact has prompted Erb to see its siding program in a new way.

"We're looking at wood siding for interior applications, for accent walls," said Young.

DIYers looking for quality

Consumer acceptance of outside products for inside purposes was also noticed by Bernie Bernstein, president of Mid-State Lumber, a Somerville, N.J., wholesale operation that sells mostly to retail yards.

Mid-State offers 1 x 6 clear cedar and redwood that is being used both inside and out. Inside use would be the rough equivalent of spending $33 per 4 x 8 sheet of paneling, an expensive alternative for wall covering.

But, said Bernstein, "People are becoming more quality minded. They're moving less and when they put something up, they put it up to stay."

According to Bernstein, the interest in quality means not only that customers are willing to use an expensive exterior product inside, but also that they are ready to pay high prices for top quality material on the outside of their homes.

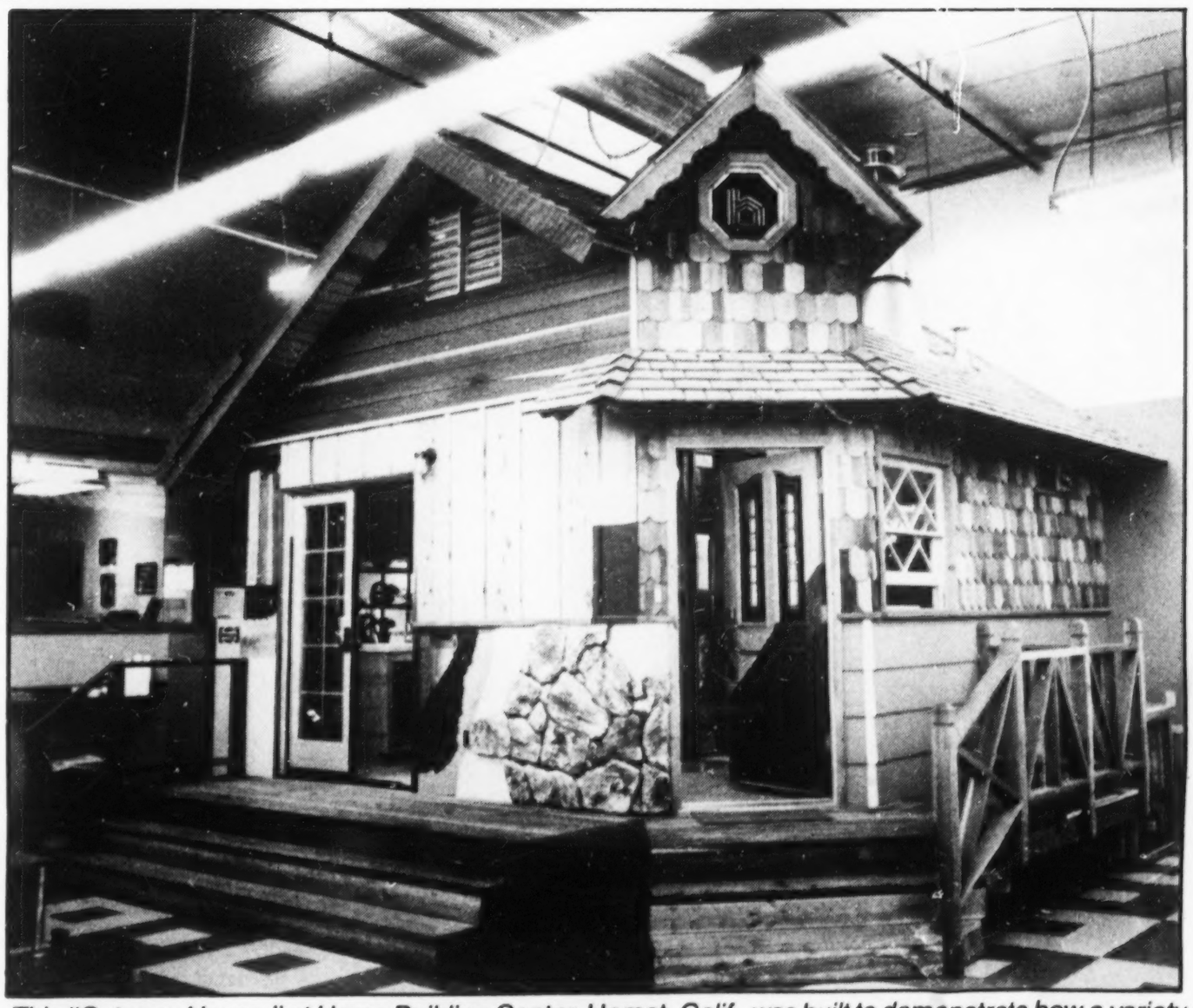
"DIY customers have been asking for and buying higher grade siding for replacement work," he said.

"People who used lesser grade products have found that weather conditions caused them to have to replace it in less than five years. "People are now recognizing that it pays to make one good investment."

According to Bernstein, who receives two to three carloads of siding per month, consumer interest in quality also means a preference for natural wood.

"We gave up hardboard," he said. "It seemed to be going into the condo-townhouse mar-

(Continued on page 30)



This "Cutaway House," at Home Building Center, Hemet, Calif., was built to demonstrate how a variety of DIY products and projects comply with local codes, showing board and batten, scalloped shakes, lap siding and an artificial stone facade. NHCN photo

MERCHANDISING SPOTLIGHT

Vinyl to garner 30% of siding market by '95

NATIONAL REPORT—Vinyl is expected to be the fastest growing siding material during the next 15 years, achieving more than a 30% share of the siding market by 1995, with 13.8 million vinyl squares projected for use that year.

This increase will triple the 4.6 million squares of vinyl siding used in 1980 and will be at the expense of aluminum, brick, steel, lumber and wood shingle market share, although hardwood and plywood siding will continue to grow.

These results are contained in a survey prepared by Predicasts Inc., the Cleveland market research firm. The shift to vinyl seems to be already under way in the home center industry.

Rowley Lumber Building Center, a $4,000,000 Middletown, N.Y., operation took on vinyl two years ago and is now liquidating its inventory of aluminum.

Erb Lumber has just started a vinyl trial program at six northern Michigan stores.

"My guess is that pricing is a factor," said Mike Lindbert, an Erb Lumber buyer of vinyl's growing popularity.

According to Rich Rowley, a Rowley sales manager, "Aluminum priced itself out of the market."

He said that there is a $10-per-square difference between the cost of vinyl and aluminum. For an average house that takes about 18 squares, using the less expensive siding represents a saving of $180.

With extras included, the money saved by using vinyl probably amounts to about $250, said Rowley. On a $1,500 sale the siding customer could spend about 17% less by choosing vinyl.

Reasons for customer selection of vinyl over aluminum seem to rest on more than price alone.

"Vinyl has improved over the years," said Lindbert.

"The fade factor is less," Rowley said. "The color goes all the way through. It's not just on the surface as with aluminum."

Vinyl is not without its disadvantages, however. It tends to show the imperfections of buildings, which is more of a problem with remodeling than with new houses, according to Rowley.

Rowley sold 2,800 squares, or $175,000 in vinyl siding in 1981, and is now looking into vinyl replacement windows.

The company promotes a white double-four siding at $47.99 per square and offers six colors at $55.79. Beige, gold, yellow, brown, green and white are stocked.

The margin on siding is only about 20%, while, as with many products, the profit is in accessories, which bring about 85%, according to Rowley.

A full compliment of "J" channels, corner posts, starter strips, under sills strips, soffits, facia and gutters can bring in $400 to $500, he said.

Whether siding a house with vinyl is a DIY project is another matter.

"Based on my experience it is not a DIY item," said Erb's Lindbert, "although manufacturers have created an awareness of the product."

Rowley disagreed. "It is a DIY item. If a DIYer is putting up vinyl a little at a time, there's no damage. It won't dent. It's almost indestructable."

SIDING MATERIAL MARKET
(in million of squares)

Product	Total 1980	Total 1995	New Constr 1980	New Constr 1995	Replacement 1980	Replacement 1995	Additions 1980	Additions 1995
Aluminum	5.8	5.3	2.1	2.3	3.5	2.6	0.2	0.4
Steel	1.3	0.9	0.3	0.4	0.9	0.4	0.1	0.1
Vinyl	4.6	13.8	0.7	5.9	3.7	7.3	0.2	0.6
Brick	7.7	6.1	6.9	5.2	—	—	0.8	0.9
Hardboard	5.8	7.7	5.0	6.6	0.1	0.1	0.7	1.0
Plywood	5.2	5.9	4.4	4.9	—	—	0.8	1.0
Lumber & Wood Shingle	1.1	0.5	0.8	0.3	—	—	0.3	0.2
Asbestos-Cement	0.4	—	—	—	0.2	—	0.2	—
Other	2.4	5.0	1.2	3.7	0.5	0.6	0.7	0.7
TOTAL	**34.3**	**45.2**	**21.4**	**29.3**	**8.9**	**11.0**	**4.0**	**4.9**

Source: Predicasts Inc., Cleveland NHCN chart

Vinyl is expected to gain 30% of the siding market by 1995. While this growth will come at the expense of other materials, use of hardboard and plywood squares is also expected to increase.

CALENDAR

(Continued from page 30)

Jan. 30-Feb. 1
Quebec Hardware and Home Centre Show, Quebec Municipal Congress Centre, Quebec City, Ontario.

Jan. 30-Feb. 1
Winter National Hardware and Home Center Show, Las Vegas Convention Center, Las Vegas.

Jan. 30-Feb. 1
Western Retail Lumbermen's Assn. (WRLA) 93rd Annual Convention, Westin Hotel, Winnipeg, Manitoba.

Feb. 6, 7
J. Leven & Co. 71st Anniversary Trade Show, Birchwood Manor, Whippany, N.J.

Feb. 13-16
1983 Canadian Hardware Show, Industry Building/Coliseum Complex, Toronto.

Feb. 15-17
Middle Atlantic Lumbermens Assn. 91st Mid Atlantic Regional Exposition & Convention, Hershey Lodge & Convention Center, Hershey, Pa.

Feb. 19-21
Ohio Hardware Assn. Mid America Show, Marriott Inn North, Columbus, Ohio.

Feb. 22-24
Builder Marts of America (BMA) 12th Annual Independents Days products & management services exposition, Hilton Hotel, Atlanta.

Correction

The lumber and building materials department at All American Home Center, Downey, Calif., is completely enclosed under one roof. A photograph in *NHCN*'s Aug. 16 issue showed the department when some merchandise was outdoors. The new addition, consisting of 28,000 sq. ft., was added to an existing, 15,000-sq.-ft. department (*NHCN*, April 12, 1982).

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FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Erb Lumber	6/30-2nd qtr.	$ 26,828	$ 35,675	– 25	$ 511	$ 917	– 44
Forest City	7/31-2nd qtr.	111,867	101,303	10	3,095	687	351
Hechinger	7/31-2nd qtr.	67,228	57,721	16	3,004	2,191	37
Hines Lumber	6/30-2nd qtr.	49,221	55,471	– 11	–23,468	– 503	—
The Home Depot	8/1-2nd qtr.	33,063	10,607	212	1,923	425	352
Lowe's	8/28-4 wks. 7/31-2nd qtr.	79,200 291,576	67,700 268,560	17 9	— 8,513	— 7,697	— 11
Pay 'n Save	7/31-2nd qtr.	263,188	239,045	10	4,055	3,776	7
Payless Cashways	8/28-3rd qtr.	172,832	137,082	26	6,866	4,749	45
Rickel Home Centers	7/31-2nd qtr.	66,671	56,152	19	—	—	—
Scotty's	8/28-4 wks. 7/3-4th qtr. 7/3-Year	22,815 89,879 308,013	21,466 85,203 294,433	6 5 5	— 3,473 11,095	— 3,601 11,081	— – 4 —

*$ in thousands

STOCK PRICES

	As of 9/16	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	26⅞	37⅛	19¾	10
Diamond Int'l (NYSE)	40⅛	41¼	26¼	51
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	8	25	4⅞	—
Forest City (AMEX)	13¾	14⅝	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	36⅞	46½	28½	4
Lowe's (NYSE)	23	23	10½	23
Payless Cashways (NYSE) [Furrow]	28¾	29½	15¼	17
Scotty's (NYSE)	19¾	21¼	12	12
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	9¼	20¼	7¼	—

*$ in millions

Over-the-counter stocks

	As of 9/16 Bid	As of 9/16 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	8¾	10½	13¼	7½
Hechinger	22⅜	22⅝	24⅛	15¼
Hines Lumber	14¾	16	20	13
The Home Depot	27	27⅛	28¼	6⅛
Pay 'N Pak	14⅛	14⅜	15⅝	11⅝
Pay 'n Save	22⅞	23	26⅜	16½
Scotts Seaboard [Scott's]	¾	1⅛	2⅝	⅝
Wolohan Lumber	4⅞	5⅛	5⅛	3

Lowe's builder biz up 8% in Aug.

NORTH WILKESBORO, N.C.—In August Lowe's reported its first monthly increase in builder sales since June 1981 and continued to make major gains in its retail business during the month, officials said.

Lowe's professional volume increased 8% to $34.2 million in the four weeks ended Aug. 28 compared to the same period a year ago while retail sales jumped 25% to $44.9 million.

The increases gave Lowe's an overall 17% business rise for the month to $79.2 million, 57% of that coming from the retail segment, officials said.

The gains also came on the heels of a 9% sales hike in the second quarter ended July 31 to help produce an 11% increase in net income compared to the second quarter of 1981. Lowe's net income for the quarter was $8.5 million on sales of $291.6 million.

Company officials attributed the earnings gain to the 233-store chain's emphasis on retail business, which reached 57% of total volume compared to 51% a year ago. The emphasis helped lead to an improvement in gross margins from 24.34% in the second quarter last year to 25% this year.

Other factors contributing to improved earnings were continued control of operating expenses, a reduced charge to earnings due to lessened inventory inflation and increased taxes paid as a percentage of sales, officials said.

Barbara T. Alexander, an analyst with stockbroker Smith Barney, New York, was not totally pleased with the results.

In a report, she indicated that gross margins should have increased more on the strong sales increase. She also pointed out that selling, general and administrative expenses rose 13% in the quarter mainly from increased salaries.

In addition, Lowe's interest and loan expense more than doubled in the period to $1.5 million, partly as a result of the need for more inventory to stock its 16 new stores opened in the past year and its remodeled units (*NHCN* Oct. 27, 1980), Alexander said.

Ernst helps net grow 7% in 2nd qtr. at Pay 'n Save

SEATTLE—A strong performance and solid improvement in operating results from Pay 'n Save's Ernst Home Center division helped the parent company post modest sales and earnings increases in its second quarter ended July 31, vice chairman Calvin Hendricks said.

While Ernst figures were not disclosed, Pay 'n Save had a net income rise of 7% to $4.1 million on a sales gain of 10% to $263.2 million in the period compared to a year ago.

Hendricks said about 7% of the company's sales increase was attributable to greater sales in existing stores. Pertaining to its home centers, Pay 'n Save is opening no new Ernst units this year (*NHCN*, June 7). Ernst comprises 68 of Pay 'n Save's 250 outlets.

The company's second quarter results also were helped by a decline in interest expense from $6.4 million to $5.8 million in the period although gross margins declined slightly "due to aggressive marketing and promotional activities," according to Hendricks.

Diamond files merger proxy to process Goldsmith deal

NEW YORK—The proposed merger of Diamond International with a company affiliated with Sir James Goldsmith (*NHCN*, March 1) is progressing.

Diamond, operators of 119 home centers throughout the country, has filed preliminary proxy material dealing with the merger, among other things, with the Securities and Exchange Commission.

Under the merger proposal, Diamond stockholders would receive $44.50 for each share of Diamond common tendered. The merger must be approved by a majority of Diamond board members and by a majority of board members not affiliated with Goldsmith companies.

Holders of 85% of Diamond's common must also approve.

Home Depot 2nd-qtr. net up 352%

ATLANTA—Home Depot reported a 212% increase in volume for the second quarter ended Aug. 1. Chain officials attributed the increase to the better than expected results from the Miami-area stores, opened in the latter half of 1981.

The sales gain, which enabled the company to reach $33.1 million in volume compared to $10.6 million in the same period a year ago, helped the chain's net income grow 352% to $1.9 million.

Market-by-market breakdowns of sales and earnings were not available.

A net interest income for the quarter of $92,803, compared to last year's interest expense of $80,570; along with the company's 630,000 common share offering in May, and its operating results also helped the company's net income.

Stockholders' equity grew from $2.7 million last year to $15.6 million this year.

Officials also announced that they had made a new loan agreement to increase funds available to $8 million at a lower rate.

"The new agreement has removed several financial restrictions and provides more flexibility in expanding our operations," they said.

Home Depot officials have said they will open two stores in the Orlando, Fla., market and "are actively pursuing other locations in the Sunbelt."

Erb net off 44% in 2nd quarter

BIRMINGHAM, Mich.—Erb Lumber experienced a 44% decline in net income on a 25% decrease in revenues during its second quarter ended June 30 compared to a year ago, company officials reported.

Earnings for the period fell to $511,000 on sales of $26,828,000, giving the 36-unit chain a $697,000 net loss on $42,867,000 in revenues for the first half of the year. Both six-month figures are off 1981's results of $769,000 in net income and $59,476,000 in sales.

Retail volume in the periods did not help the company significantly. DIY sales in the second quarter were off 8% and in the first half were down 7% from 1981 results, according to officials.

DIY sales are bright spot in Hines' 2nd-qtr. losses

CHICAGO—A 13% increase in do-it-yourself sales was just about the only bright spot for Edward Hines Lumber in the second quarter, according to a report to Hines' stockholders.

Continuing wholesale and retail operations incurred a $212,000 loss with overall retail volume about the same as the prior year's, the report said.

In addition, the company's discontinued manufacturing operations suffered a $3.5 million loss, and Hines Lumber included a special charge of $19.8 million "for all projected losses and costs involved in the [planned] withdrawal" from the manufacturing business (*NHCN*, July 5) in its second quarter results.

"The special charge incurred in the second quarter includes substantial reserves for possible operating losses and disposition costs," company president and ceo Edward Hines said in the letter. "Accordingly, the company does not expect to report additional deficits from this business."

The losses added up to a $23.5 million net loss for the company in the period, on net sales of $49.2 million, down 11% from a year ago, officials said.

Hines noted that the company expects to have the divestiture of its sawmills substantially completed in a year.

"Upon completion of the divestiture program," he said, "the company estimates that it will have at least $15 million in excess cash after repayment of liabilities directly related to the mill business."

Although it is unclear how the money will be used, Hines' retailing will likely get its share. The chain, with 25 retail outlets in the Chicago market, has been emphasizing additional DIY sales.

In fact, Hines said in the letter, "This area of specialty retailing represents substantial opportunity for better utilization of the company's strong reputation in the Chicago market."

He explained that the company is expecting to report profits from its retail and wholesale businesses in the second half, a time when they usually produce most of their profits.

FUTURES

Two weeks ended Sept. 17, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept.	136.50	127.60	127.60	131.60	36	229.50	123.70
Nov.	144.50	134.80	134.90	135.40	2,490	224.50	129.50
Jan. '83	154.80	144.50	145.50	145.80	1,457	205.50	139.00
March	162.30	154.90	155.20	155.40	482	209.80	146.80
May	168.50	163.40	164.50	164.50	221	202.00	151.50
July	176.50	170.00	171.10	173.00	410	201.00	158.00
Sept.	178.50	171.00	175.50	175.00	219	187.90	163.80

Total Contract Vol. (Through 9/17): 12,772 — Previous Two Weeks: 17,284
Total Open Interest (As of 9/16): 5,364 — Previous Week: 5,872
Cash Price: $133.20 — Previous Week: $133.28 — Year Ago: $139.16

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Sept.	172.00	166.20	167.50	167.50	59	224.50	152.00
Nov.	175.00	167.50	169.50	169.90	602	226.50	154.80
Jan. '83	177.60	171.50	172.70	173.20	376	218.60	157.00
March	181.00	175.50	176.50	176.50	158	196.30	162.50
May	184.00	178.80	180.00	180.20	118	194.20	167.00
July	188.50	182.00	183.20	183.70	110	191.50	170.00

Total Contract Vol. (Through 9/17): 2,043 — Previous Two Weeks: 2,373
Total Open Interest (As of 9/16): 1,423 — Previous Week: 1,361
Cash Price: $166.60 — Previous Week: $170.52 — Year Ago: $183.26

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	232.9	239.8	274.5

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thureday, 9/16/82.
Open interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Campaign war chest

(Continued from page 1)
contribute to state as well as Federal candidates, but to date, only a sliver ($8,717) of the industry's PAC support has gone to state office seekers.

As a group, home center industry political fund-raisers were far more generous to Republicans than Democrats, according to *NHCN*'s computerized analysis of the Federal Election Commission's files.

Of the more than 300 contributions made by home center PAC's to Federal candidates as of F.E.C.'s midsummer filing deadline, a clear majority (58%) went to Republicans. GOP Congressional candidates enjoyed an even bigger edge in terms of total dollars, pocketing 62% of the funds contributed by industry PAC's.

For some individual corporate PAC's the partisan tilt was even more lopsided. Of the 29 Congressional candidates receiving contributions from Boise Cascade's fund-raising committee, only three were Democrats. Union Camp's PAC, meanwhile earmarked 83% of its dollar contributions for Republicans.

In contrast, other industry PAC's (including Southwest Forest Industries' committee) split their contributions more evenly among candidates from both parties, while a few (including Weyerhaeuser and the National Forest Products Assn.) bucked the GOP trend and channeled more money to Democrats.

The dollar amounts contributed to candidates by home center political action committees ranged from token, $100 donations to individual payments as high as $3,000 to several key Senators.

Again Republicans held a distinct edge, receiving an average of $589 from industry PAC's vs. and average of only $502 for Democrats.

Typically, home center fund raisers made substantially larger contributions to Senate hopefuls than to candidates seeking House seats. Although 85% of the industry's total PAC contributions went to House candidates, Senate hopefuls received 40% of the dollars.

Although Political Action Committee fund-raisers often solicit donations from industry execs by stressing the importance of bringing fresh, new pro-business faces to Congress, *NHCN*'s analysis found that home center PAC's tend to play it safe by earmarking the overwhelming majority of their contributions to incumbents.

In fact, only three of the PAC's included in the survey had made any contributions at all to Congressional challengers during the critical '82 primary election period, and of the 325 home center industry campaign contributions tracked by *NHCN*, only five went to nonincumbents.

The candidates receiving the heaviest support from the home center industry fell generally into three categories: powerful chairmen of key Congressional committees; incumbent Congressmen facing stiff opposition in the upcoming elections, and Senators and House members representing geographic areas of special concern to the industry.

Geographically, home center chains tended to provide the strongest financial support for Congressmen from Western and Midwestern states. Of the eight candidates receiving the largest total contributions from industry PAC's, not one represented a state east of the Mississippi.

The leading recipient of home center industry PAC funds (at least through the F.E.C.'s mid-July political action committee reporting deadline) was Utah Republican Sen. Orrin Hatch.

Hatch, who faces a potentially tough re-election battle against his Democratic challenger, Salt Lake City Mayor Ted Wilson, occupies a pivotal position in Congress. As chairman of the Senate Labor Committee, he is in a position to influence a wide variety of legislation concerning home center chains, from National Labor Relations Board procedures to the Federal minimum wage rate.

Senate Housing and Urban Affairs Subcommittee Chairman Richard Lugar (R-Ind.) ran a close second to Hatch in home center campaign contributions, collecting a total of $4,500 from industry PAC's. Lugar's panel holds sway over a broad range of legislation affecting Federal housing policy.

The industry also channeled $4,500 to support the campaign of David Durenberger—Minnesota's freshman Republican Senator. Durenberger faces a tough challenge for Hubert Humphrey's old Senate seat from his wealthy Democratic opponent, Dayton Hudson department store chain heir Mark Dayton.

Other Congressional candidates who received strong support from home center industry political fund-raising groups during the primary campaigns include Rep. Norman Dicks (D-Wash.), $3,900; Rep. Thomas Foley (D-Wash.), $3,000; Sen. Slade Gorton (R-Wash.), $2,000; Sen. John Melcher (D-Mont.), $2,000; Rep. Philip Gramm (D-Tex.), $1,900, and Sen. David Emery (R-Me.), $1,750.

Boise Cascade's PAC, one of the largest and most successful of the industry's political fund-raising committees, collected over $75,000 in donations since the 1980 elections, and still had well over $50,000 on hand for the home stretch of this year's campaigns.

According to *NHCN*'s survey, Boise's PAC is one of the industry's most politically partisan: of the more than $21,000 in campaign funds contributed since the last Congressional elections, less than $2,000 went to Democrats.

Union Camp's committee also raised just over $75,000 since the last elections, but unlike Boise, this PAC paid out most of these donations during the primary period. Union Camp's contributions were also tilted heavily toward GOP candidates, with Republicans receiving $35,000 of the $42,000 spent through midsummer.

W. R. Grace, in contrast, supported Democrats over Republicans by a 2 to 1 margin, and also tended to offer larger contributions to Democrats. Grace's PAC has raised more than $12,000 for this year's elections, and still had a warchest of more than $9,000 as of the Government's latest reporting deadline.

Unlike other home center industry firms, Weyerhaeuser maintains two separate PAC's, each with its own distinct philosophy for supporting political candidates.

The larger of the two—Weyerhaeuser's Shareholders' PAC—contributed about half of the $60,000 collected since the '80 elections during this year's primary contests. Unlike most other home center industry fund-raising groups, the company's shareholder's PAC supported several Congressional challengers.

While the Shareholders' PAC backed Republicans over Democrats by a substantial margin, Weyerhaeuser's regular political action committee offered the bulk of its funds to Democratic candidates. In addition, that PAC, which has collected nearly $20,000 for this year's campaign, was the only home center fund-raising group to make any contributions to state or local candidates.

In addition, while Weyerhaeuser's Shareholders PAC spread its contributions around to candidates from some 30 different states, the company's smaller PAC concentrated on Congressmen from the Pacific Northwest. Almost 90% of that committee's contributions went to candidates from Oregon, Washington and California.

NHCN's computerized survey also uncovered two smaller industry fund-raising bodies, Cyclops' PAC (which collected less than $10,000 for the '82 elections) and Wickes' committee (which had raised some $8,400 before its activities were terminated following the chain's Chapter XI filing).

Who's who in home center political fund raising

Sponsor	PAC collections for '82 campaign*	$ on hand from '80 election	PAC CONTRIBUTIONS TO: Federal candidates	State candidates	Other PAC's	Admin. costs	$ available for '82 campaign
Boise Cascade	$ 76,236	$ 2,295	$ 21,600	—	—	—	$ 56,931
Cyclops	8,611	1,297	3,500	—	—	—	6,408
SW Forest Industries	9,125	7,124	9,332	$6,717	—	—	200
Union Camp	77,352	15,958	42,400	2,000	—	$1,950	46,960
W. R. Grace	12,170	2,060	5,150	—	—	—	9,080
Weyerhaeuser	19,350	3,805	15,825	—	$3,525	—	3,805
Weyerhaeuser (shareholders)	59,950	7,563	30,300	—	—	1,125	36,088
Wickes	8,395	—	1,300	—	—	—	7,095
TRADE ASSOCIATIONS:							
Nat'l Lumber & BM Dealers Assn.	—	2,606	—	—	—	2,000	606
Nat'l Forest Products Assn.	81,149	2,823	50,400	—	—	—	33,572
TOTALS	$352,338	$45,531	$179,807	$8,717	$3,525	$5,075	$200,745

Source: NHCN analysis of FEC records **As of 7/15/82*
Cyclops operates Busy Beaver, Union Camp operates Homecrafters

Plywood Minnesota

(Continued from page 1)
who left in 1978 after his election to the U.S. Senate.

"He knew the nuts and bolts of the business," said his son Gerry. "Getting smaller is allowing us to learn the nuts and bolts."

The Chicago sale, which was finalized July 16, followed the closing of three other stores earlier this year in Davenport, Iowa, Omaha and Franklin Park, Ill.

Last September Plywood Minnesota's 44 franchise units were sold to a group of franchisees who now operate them as decorator centers called Floor to Ceiling Stores.

According to Gerry Boschwitz, the decision to shrink Plywood Minnesota came because the economy, with severe unemployment in the chain's upper Midwest market, had hurt sales. Also, getting smaller offered the best alternative for gaining more control over the company's future.

Sales for 1981, which the chain ended with 20 stores, were estimated at $20 million. At its peak with 64 stores, Plywood Minnesota's volume was estimated at just under $1 million per unit.

The Boschwitz brothers, both in their early 20's and recently graduated from college, plan no major departures from the Plywood Minnesota merchandising formula, essentially a warehouse approach that emphasizes interior decorating, kitchen, and bath products.

They continue to consult with their father and with Bruce Thompson, a member of the board and family friend who served as interim president after the departure of Jim Grogan (*NHCN*, Jan. 4).

New specialty warehouses

The new owners also plan to keep to the original Plywood Minnesota merchandise orientation, according to Baim, president of the new firm, Plywood Minnesota of Illinois.

New yellow and black graphics have been added to the outside of the Chicago outlets, with the design of the Plywood Minnesota logo suggesting a warehouse presentation.

Inside, the stress will be on kitchen and bath, wallpaper, paneling, carpet and flooring. Baim calls the outlets specialty warehouse stores.

"Part of Plywood Minnesota's problem was that it got away from what it was," she said. "They became fashionable decorating centers and they were warehouses."

Another factor was absentee management, she said.

Baim was wallpaper merchandising manager for a Chicago paint and wallpaper specialty retailer, Saxon. Her husband, Bob Lance, vice president and treasurer of the new firm, formerly owned Dreeblan Paint, a Chicago manufacturing concern.

According to Baim, he had sold his company and she was ready to return to work after taking time away to start a family. She said they were looking for the right company to purchase when they heard, through a mutual friend, that Senator Boschwitz was interested in selling the Chicago stores.

Their staff is now lean. Both Baim and Lance do the buying, along with Bob Kirshner, formerly with First Distributors, a Chicago discounter.

Store personnel remain virtually unchanged, according to Baim. "We were most pleased with the quality of people," she said. "The staff turned out to be better than we'd expected."

Anticounterfeit bill

(Continued from page 3)
a chance to contest an application for an order, no standards are provided [in the bill] as to when such an order should be issued," retailers told the Senate committee.

Since "claims of trafficking in counterfeit marks are often made when a retailer who adheres to manufacturers' suggested retail prices complains to a name-brand manufacturer that another retailer is discounting the name-brand manufacturer's merchandise," these court orders have "the distinct potential for being used as a subterfuge to injure competition in the retail industry," they warned.

Moreover, attorneys for the retail industry argued, since Mathias' measure provides no penalties for suppliers who file unwarranted claims against chains, "the bill would encourage name-brand manufacturers to bring civil actions and to seek *ex parte* [no warning] search and seizure orders because they have everything to gain and nothing to lose."

Although Mathias kicked off the Senate hearings by citing "Justice Department" estimates that "the United States loses $16 billion every year through commercial counterfeiting," Justice Department witnesses later admitted that they could not substantiate that figure.

"While the department strongly opposes counterfeiting, we cannot determine from the information available to us the extent to which trademark counterfeiting occurs or whether existing remedies are insufficient to control it," Assistant Attorney General William Baxter acknowledged.

At least inadvertently, the Reagan Administration's chief antitruster also provided support for retail industry charges that the real purpose of the anticounterfeiting bill is to give brand-name manufacturers a simple method to engage in illegal resale price maintenance activities.

Baxter, who has publicly refused to enforce standing Supreme Court rulings that hold RPM to be an automatic violation of the Federal antitrust laws, told Congress that the "trademark counterfeiting problem" is a result of "the current hostile approach to resale price maintenance."

If manufacturers are allowed to dictate resale prices to retailers, he reasoned, they will be able to exercise the "degree of control over the distribution of their products necessary to enable them to detect and combat undesirable activity such as trademark counterfeiting."

Manufacturers could easily spot counterfeit goods if they stamped serial numbers or codes on their products, he said, but "many firms are reluctant to code goods in part because of fear of possible antitrust liability."

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DIY industry census, pp. 15-72

National Home Center News®

Vol. 8, No. 22 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. October 25, 1982
$7 per year $2 per copy

DIY strong in '82, despite slower expansion

Grace still leads industry in biz; Wickes holds on

NATIONAL REPORT—DIY sales among the nation's Top 100 home center operations will increase 11.7% in 1982, to a projected $8.926 billion collectively, despite a virtual halt in store expansion.

According to *National Home Center News'* eighth annual industry census, the Top 100 chains will have 4,184 units in operation at the end of the year—12 less than a year ago. The Top 25 operations will operate over half of those stores, or 2,536 outlets, only 13 more than in 1981.

DIY sales among the Top 25 chains, however, will total $6.7 billion this year, a 12.3% gain over last year.

The Top five home center chains in DIY sales remained the same as 1981's strongest performers. W R. Grace is again No. 1 with $864 million projected in DIY sales, followed by Evans Products, Lowe's, Payless Cashways and Wickes Cos.

In total volume, Lowe's led the pack with projected sales reaching the $1 billion mark for the first time. And, despite its problems this year, Wickes Cos., in Chapter XI since April, is expected to reach $900 million in total sales, which ranks it second in that category.

(Continued on page 7)

Top 10 Home Center Chains

	DIY Sales (in mil.)	Total Sales (in mil.)	DIY Sales % change from 1981
1. W. R. Grace	$864	$ 897	14.6
2. Evans Retail	678	770	6.7
3. Lowe's	560	1,000	21.2
4. Payless Cashways	551	580	21.1
5. Wickes	530	900	– 7.5
6. 84 Lumber	360	600	19.2
7. Sutherland	296	395	20.8
8. Ernst	244	244	6.1
9. Hechinger	240	240	13.7
10. Scotty's	237	308	17.6

NHCN chart

L-P to quit retail; Sutherland eyes buy

By Brad Altman
West Coast editor

PORTLAND, Ore.—Louisiana-Pacific will jettison its seven-unit California home center chain, and the likely purchaser is Kansas City-based Sutherland Lumber, sources told *NHCN*.

At presstime a definitive agreement between the two companies had not been signed and officials for both chains declined to confirm the pending sale of L-P Home Centers.

"A deal is probably 95% certain," reported Howard Foon, L-P Home Centers' director of retail sales. "The news is all over and to my knowledge it is very imminent."

If the deal goes through, Louisiana-Pacific's retreat from home center retailing will buck a trend of recent years among forest product companies. The DIY business has attracted such industry giants as Weyerhaeuser, Boise Cascade, Diamond International and Southwest Forest Industries.

But L-P Home Centers' days appear to be numbered, according to several sources. Foon noted that late October is the traditional inventory period for the chain, but this year he has been directed to postpone counting until December, "probably because of new ownership."

Other signs pointing to Louisiana-Pacific's departure from the DIY business include a mid-September public auction held to sell surplus office furniture, trucks and rolling stock. The auction reportedly grossed $340,000. In addition, the chain stopped ordering inventory three months ago at its 30,000-sq.-ft., Garden Grove, Calif., warehouse.

Nevertheless, Barry Lacter, a Louisiana-Pacific spokesman, declined to confirm that the chain is on the selling block and that Sutherland Lumber is the likely buyer. "Until there is something firm, we aren't going to make any announcement about L-P," he said.

He said three years ago Louisiana-Pacific paid Lone Star Industries $32 million for the chain—$10 million in fixed assets and $22 million in inventory. Louisiana-Pacific's chairman

(Continued on page 79)

Home center vendors scrambling for air time amid NFL strike

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—Repercussions from the National Football League strike are being felt in the home center industry as major suppliers face the Christmas selling season without traditionally critical television spots.

Retailers who had plugged into local radio broadcasts of NFL games have also been affected.

So far in both cases the advertisers have chosen to swap the lost commercial spots for increased airtime, in effect exchanging the prime period during football games for overall increased exposure, generally in somewhat less-choice time slots.

Among the major home center-related advertisers that bought space during NFL games are Kerosun, Black and Decker and Stanley. About 30 Boston retailers are involved with a radio co-op effort sponsored by Furman Lumber, the wholesaler.

The importance that manufacturers place on NFL broadcasts is typified by Black & Decker. The tool manufacturer had purchased a total of 14 spots in and around NFL games on all three networks this season, according to Louise Retzier, advertising and sales promotion manager for Black & Decker's household products group.

All the spots were for Workmate, the adjustable workbench, and accounted for 40% of that product's Christmas budget. More than 50% of all Workmate sales occur during this fall period, said Retzier.

"We will attempt to negotiate with the networks on a week-to-week basis to keep our exposure the same," she said.

Black & Decker's ads were scheduled to first appear on NBC, Sunday, Oct. 11. In exchange for one NFL 30 second spot, the Workbench commercials will appear twice during a Canadian Football League game and with a preworld series sports program.

"The network made a good offer that we accepted," said Retzier, noting that the new plan was equal to the NFL in Gross Rating Points, the advertising industries measurement of media effectiveness.

Restructuring of TV packages to obtain a GRP equivalent to the lost sports programming was also noted by

(Continued on page 79)

Million-a-month sales club shares right location, size, crack staff

By Greg Puchalski
NHCN senior editor

NATIONAL REPORT—Among the 4,184 units operated by the 100 largest home center companies this year, only a few, probably less than 25, will reach the rarified plateau of consistently producing more than $1 million per month.

Chains known to have one or more stores that operate with such cash machine efficiency include Somerville Lumber, Lumberjack, The Home Depot, Forest City and Rickel.

None of the chains are among the nation's Top 10 in DIY volume. Rickel, with sales of $220 million, is the largest. Somerville Lumber's Somerville, Mass., store is probably the greatest volume producing unit. Sales there regularly exceed $2 million per month.

Some of the success ingredients that $1 million-a-month stores share are location, size, maturity and a staff capable of handling the extreme volume.

"The ability to provide product and handle people is a key," said Jay Steiner, vice president, Lumberjack.

The Midas-like Somerville store has been in business since 1956 and at the same location since 1977. Co-owner Melvin Cohen attributes its success to the merchandise selection of 37,000 sku's and service, which includes more than 100 salesmen and free delivery within a 25-mile radius.

Earlier this year, when Somerville debuted its second

(Continued on page 80)

NEWSBREAKS

HINES COMPUTERIZING. The first of Edward Hines Lumber's 25 stores is expected to be tied into a perpetual inventory system this month. The system, which ties service desk and manager offices to the headquarter's main computer, will also collect daily information from the cash registers.

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DIY Industry update

84 Lumber quits Sacramento

SACRAMENTO, Calif.—Announcing "We Quit!" in a local newspaper advertisement, 84 Lumber hastily pulled out of the Sacramento market, closing four stores after a one-week, $1 million inventory liquidation sale.

With prices slashed 50% on vanities, caulk, nails, electricals, fasteners, tools and other merchandise, consumers jammed the stores located in the greater Sacramento area communities of Rancho Cordova, Citrus Heights, Woodland and Florin. All four 8,000-sq.-ft. stores were opened in 1975 as part of 84 Lumber's fast-paced expansion drive on the West Coast.

The 362-unit, 38-state chain has 29 stores remaining in California.

Officials for the Pennsylvania-based chain were not available for comment on the store closings at presstime.

An employee at the Florin store said the company "Stopped us from reordering new merchandise two months ago," adding that the Oct. 10 store closings—a week after a full-page "We Quit" ad ran in the *Sacramento Bee*—had been expected.

Scotty's ups biz with catalog

WINTER HAVEN, Fla.—Scotty's, the 98-store Florida chain, initiated a new mail-order service last March, a 9,000-item catalog mailed three times per year.

The first printing of 750,000 catalogs was distributed through Scotty's stores.

So far, the program has been all gravy for Scotty's since the chain has neither added personnel nor incurred other significant start-up expense, according to Rod Sweet, mail-order sales manager.

In fact, Sweet said he handles the whole show "in my spare time."

Scotty's product mix was not changed for the introduction of the mail-order business. The chain had a program in the 1950's and again in the 1960's. The advent of two-paycheck families and the search for shopping time savers, as well as the prospect of low overhead sales encouraged Scotty's to make another attempt at this market, according to Sweet. Scotty's is accepting Mastercard, Visa, money orders and checks for the UPS delivered merchandise.

"It's too early to see a dramatic impact," said Sweet, who noted that the spring catalog seemed to fare better than the summer book issued in July. He estimated mail order sales to date at $40,000 to $50,000. Best-selling products so far have been electrical accessories, plumbing products and ceiling fans.

Ace ads feature 'helping hands'

OAK BROOK, Ill.—Ace Hardware has launched a new price-oriented, national television advertising campaign entitled "Helping Hands."

The commercials, which first aired late last month, were produced by Fred A. Niles Communications in Chicago, and feature two actors who play the Ace Helpful Hardware Man and Woman. The Suzanne Somers commercials, which were scheduled to run through 1982, have been abandoned. Ace dealers had criticized their lack of price and product focus.

Ace's new ads will be carried by the three major television networks and ESPN cable. They will be aired with network morning news programs, evening news broadcasts and prime time entertainments.

The campaign kicked off with special promotions on two products. The Ames greensweeper lawn rake, a plastic rake with a 48-in. handle and 26 tines sells for $3.99 off from the regular price of $7.19. The 33-gal., 2-ply leaf and trash bags are 15 for $2.33.

The Ace jingle—"Ace is the place with the helpful hardware man," closes the TV spots, making one more point, as the new Helpful Hardware Woman character adds, ". . . and woman."

Frank Henry, vice president of merchandising and advertising, said, "Now we want to show the consumer the products, rather than highlight the spokesman."

National Home Center News

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 22. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 22 October 25, 1982

Sigoloff grabs the spotlight in new Builders Emporium ads

SANTA MONICA, Calif.—Would you buy a chain saw from Sanford C. Sigoloff?

That's saw; not chain. While the Wickes chief executive says he has no plans to sell Builders Emporium, Sigoloff does want to sell BE's merchandise.

So, this fall and winter millions of Californians will see the 52-year-old Sigoloff on their television sets pitching BE's home improvement products.

Sigoloff said he agreed to tape the three, 30-second commercials, "to convey the sincerity of management" in returning the retailer to prosperity.

Some people may think he did the commercials for self-aggrandizement, Sigoloff admitted.

"Everytime you do something different, it's a risk," he said. "Of course there will always be comparisons [to Chrysler's Lee Iacocca and other corporate executive pitchmen]. . . . All of us hawking our wares in gray flannel suits."

Wickes as a matter of policy does not reveal its advertising budgets or frequency of TV commercials, and is not obligated to do so even though it is operating under Chapter XI of the Federal Bankruptcy Code.

A company spokesman said Sigoloff, who took over ailing Wickes last March, decided to appear in the commercials after an independent marketing research company determined that such a format would produce "a very strong campaign."

One commercial shows Sigoloff walking down an aisle of a BE store. His tie has been loosened and his shirt sleeves rolled up. The impression being created is that he is an executive "grabbing some things for the weekend" after a long day at the office, Sigoloff explained. But in the final seconds, Sigoloff is standing at the checkout counter, staring into the camera lense and proclaiming seriously, "As chairman of the board, I insist that all customers get what they want."

The other commericals also show Sigoloff in a BE. One is scheduled to air during the winter holidays.

Sigoloff's colleagues say he is a polished TV performer. He admits that his recent appearance on the syndicated Phil Donohue show "didn't challenge me." The commercial filming was considerably more difficult, however.

(Continued on page 79)

Repair market largest for struc. panel

BILOXI, Miss.—The structural panel industry is looking toward nonhousing markets, including exports, for its greatest growth opportunities during the 1980's, according to presentations at the annual American Plywood Assn. meeting here, last month.

This year and last the greatest single user of structural panel was the repair and remodeling market. Of the total 16.2 billion sq. ft. of panel produced in 1982, 5.3 billion sq. ft. are expected to be used by that market compared with 5 billion sq. ft. in housing construction. In 1981 repair and remodeling for the first time consumed more than home building.

For 1983, however, the Association is expecting housing to again assume its place as the largest consuming market for structural panel, using 6.3 billion sq. ft. compared to 5.4 billion sq. ft. in repair and remodeling. That prediction is based on a 1.3 million housing start year.

The use of structural panel in repair and remodeling dipped slightly this year from 1981. Bob Anderson, director of market research and economic services for the APA, said the slight downward fluctuation was probably due to the high interest rates.

While some panel production used in repair and remodeling goes into construction of dog houses and other small items, the bulk, said Anderson, goes into major projects like room additions. Such panel use was inhibited by the need for financing.

Bruce Fulton, retiring APA chairman, told the approximately 200 members at the APA meeting that significant increase in home building is not expected until the second quarter of 1983, when mortgage rates may have sunk to the 12% to 14% range. He said the APA predicts 1.5 housing starts by 1984, with about 1.6 starts in each of the three following years.

K mart tests next stage of 'home center concept'

ROCHESTER, Mich.—K mart may be readying another new look for its home improvement departments.

After adopting a home center strategy, tested in Indianapolis two years ago (*NHCN*, Nov. 24, 1980), in more than 450 departments and in its newest stores that have DIY departments, the discount giant apparently is testing the next generation of their home center concept at its unit here, not far from its Troy, Mich., headquarters.

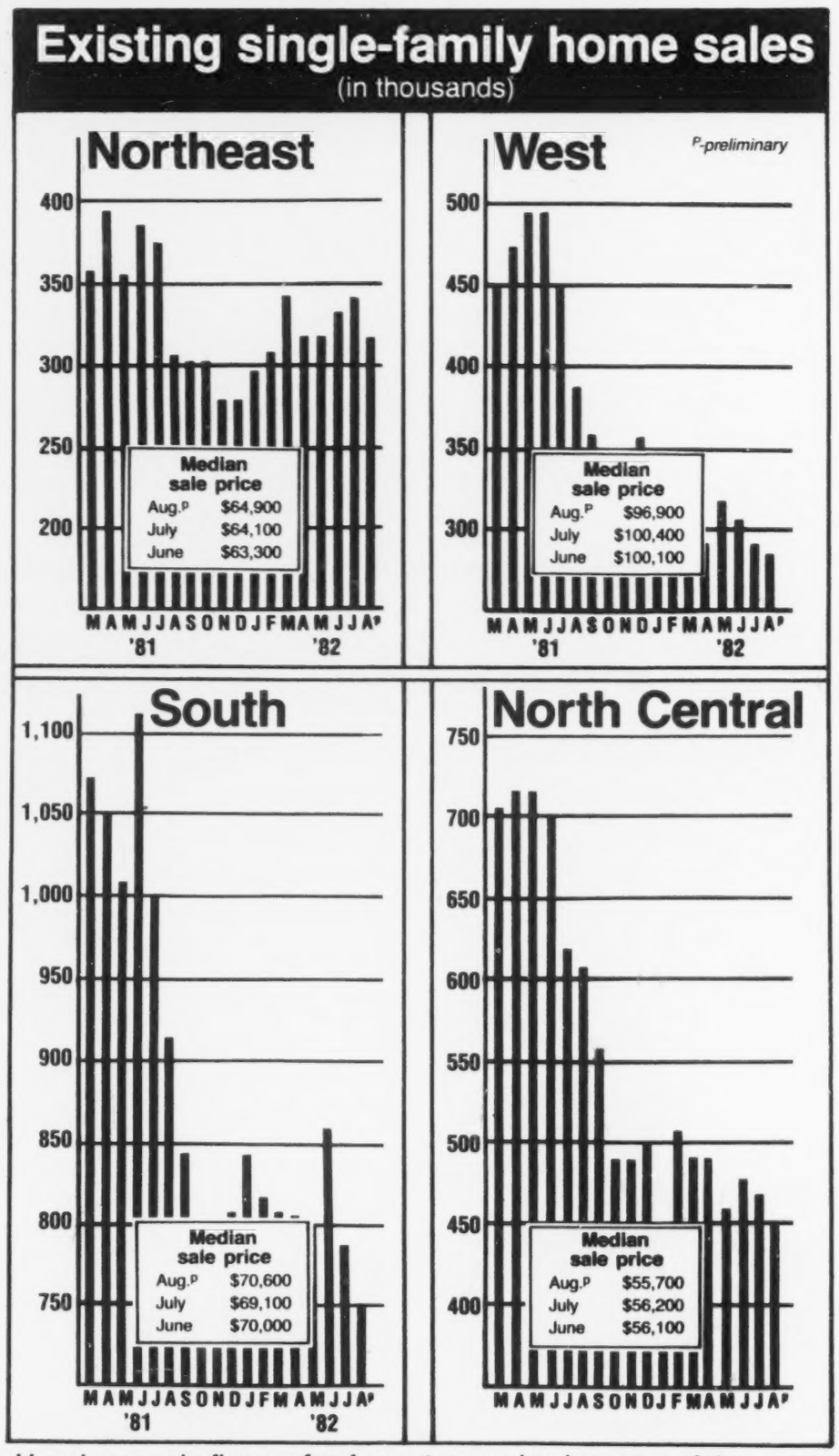
K mart officials are reportedly not satisfied with the home center concept it has adopted in the last two years that brought more product and better adjacencies to the department.

A K mart spokesman said chain officials view "the test as just that and are not ready to talk about it."

The category here features more informative signs and aids to help customers identify goods and tackle projects. It also includes better displays such as vignettes for kitchen and bath merchandise.

The trend may be toward bigger tickets in the 10,000-sq.-ft. department with the addition of the vignettes.

The department and each category within it are made to stand out more clearly. Two large, 12-ft. fixtures are placed near the entrance of the department to set it apart from other K mart departments. Sharper, more informative displays help distinguish each product category.



Housing resale figures for August proved to be more of the same, only worse, with a total of 1.8 million units, seasonally adjusted, changing hands, a 6.3% drop from July and the lowest level yet in the current housing cycle, according to the National Assn. of Realtors. In the 46 months between November 1978, the beginning of the cycle, and August, sales of existing homes were off 55.5% and 4.5 million sales or $328.9 billion has been lost, according to the Association.

For Tuckerton, sales are never out of season

By John Caulfield
NHCN associate editor

SURF CITY, N.J.—The summer's over and the beaches are empty. For many small businesses that cater to the over-100,000 vacationers who flock to this and other towns on the 12.5-mile stretch of Long Beach Island off the Jersey Coast, their selling season ended on Labor Day.

But among the miniature golf courses, fast-food stands and video game arcades stands Tuckerton Lumber, an 8,500-sq.-ft. home center located on 2.5 acres of land one block off the beach, whose season is just beginning.

Tuckerton Lumber, which is celebrating its 50th anniversary was started by Fred Bunnell Sr. in 1932 as a small hardware store in the mainland town of Tuckerton. It has grown, under his son Fred Jr., into a two-unit home center operation that is expected to do about $4 million in sales this year.

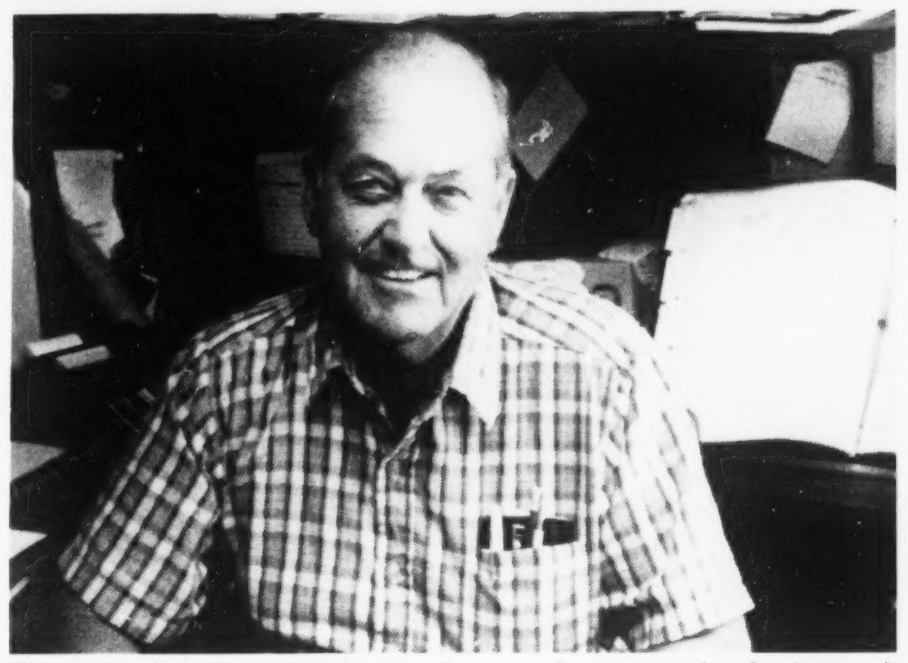
The customer base for the Surf City store, located on the northbound side of the main drag, consists mainly of the 10,000 permanent residents of Long Beach Island and those people who own, but do not live in, the single- and multifamily cottages and duplexes that line both sides of the boulevard and are rented out seasonally.

"The vacation crowd [called shoobies by the natives] is really icing on the cake for us, but we're not dependent on them for business," said Edward Laird, a 50-year lumber business veteran who joined Tuckerton Lumber in 1964 and now serves as its vice president and general manager.

Laird said the customers who live on the island year-round have shown an increased adeptness at handling difficult DIY jobs, such as building a deck or roofing a house, and he added that the store sells a lot of plumbing, electrical supplies and treated lumber. "But the owners who rent their homes during the summer are generally upper-middle class people in the second home market who view coming down here in the spring and fall to fix up their property as a hobby.

"It's these people who need the most help, because they just don't know where to start a lot of the time," Laird continued. Each unit maintains about 15 workers year-round, and has knowledgeable countermen to assist the dilettante DIYer. "Our guys have helped our customers build more shower stalls than you can shake a stick at."

Laird noted that, in the past, his stores' winter business was extremely slow. "You could fire a gun down the boulevard and not hit anybody, but now the shore is a cold weather retreat for a lot of folks." He added that both stores, and particularly the mainland outlet, have indirectly benefited from the enormous development in and around Atlantic City following passage of the 1977 referendum legalizing gambling.



Edward Laird, vice president and general manager for the two-unit Tuckerton Lumber, Surf City, N.J., is a veteran of 50 years in the lumber business. NHCN photos

An impressive collection of barometers, clocks and other weather devices graces the wall leading up to the second floor of Tuckerton Lumber.

While the company, whose nonlumber products are supplied by the American Hardware Supply wholesale co-op, has been trying to give its stores more of a home center look over the past four years, its main business is still on the contractor side, which will account for 60% of its sales this year.

The stores each carry about $400,000 worth of lumber, but are faced with a problem most home centers don't have to deal with : the nearest rail siding is 35 miles away in Camden, N.J., so all its lumber must be trucked to the sites. That adds "10%-25% extra" to the retail price, according to lumber buyer John "Bud" Bigum. "Plus, our limitations in size, especially at Surf City, restrict us from buying in truckload quantities," he said.

Despite high interest rates and the exorbitant rise in housing costs (homes on Long Beach Island regularly go for $150,000-$200,000), housing starts have been fairly steady over the past couple of years.

As a result, Tuckerton's contractor sales have, until recently, been on the upswing. Data from the New Jersey Bureau of Construction Code and Enforcement reveal that, in the six municipalities that make up the island, single-family housing starts only dropped slightly, from 251 to 234 units, between 1979 and 1981.

However, Bigum indicated that contractor activity has been off considerably this year. "Every year we ask ourselves if there's anymore room on the island for home development, but only this year have we taken the question seriously." In addition, there is some minor trepidation among contractors to start building for fear that state restrictions on construction in the nearby Pine Barrens preserve will be extended to include some coastal areas.

Laird conceded that, unless September and October were strong sales months, Tuckerton Lumber could have a decline in volume as much as 23%. So the company is trying to jack up its DIY business to augment its temporarily faltering contractor sales.

However, in a transient community, one of the problems a company must face is how to most effectively advertise and promote the products and the store's name. "This has been a real headache for us, and it's very difficult to get good advertising down here because the local paper [*The Beach Haven Times-Beacon*] does not have a lot of circulation. We've had much better response by placing ads in the free papers, like the *Sandpiper*, that real estate agencies and local stores distribute."

Tuckerton is also tied into the direct mail and radio "Servistar" program of American Hardware, and occasionally utilizes the local paper to direct promotions to island home owners. It will spend about $20,000 in advertising this year.

Competition, particularly from mainland lumberyards, has picked up in recent years, and Laird said the company is contemplating expanding its Tuckerton unit, which is a 4,000-sq.-ft. building on six acres of land. But in the hard lines category, the stores are virtually competitor-less, with the exception of an occasional K mart.

"But we have a real edge because we have strong service, offer a lot more home improvement-type products and, because we're family-run, we can react quicker to our customers' need. We have a very loyal clientele, I think, because we're unique in the market," Laird said.

And who could dispute him. How many home centers stocking 15,000 sku's are stocking nautical clocks and barometers?

DIY sales

(Continued from page 1)

DIY sales this year are expected to account for 75.9% of total sales among the Top 100 chains this year and 79.4% among the Top 25 chains.

Not surprisingly, in a year when housing starts are expected to just barely pass one million, total sales expanded much more slowly than the DIY portion.

Among the Top 100 chains, total sales will reach $11.7 billion in 1982, which is 6.2% ahead of last year when annual sales grew by 13%. For the 25 largest chains, total sales will reach $8.4 billion, a 7.7% growth from 1981, which was 19.3% above 1980 figures.

Altogether, there are approximately 14,970 full-line home center outlets operating in the United States with minimum annual sales of $1 million per unit, according to the 1982 Chain Store Guide of Home Center Chains; in addition, there are another estimated 12,000 stores selling home improvement products generating under $1 million in annual sales including DIY departments in mass merchandise stores. *NHCN* estimates that the DIY market currently accounts for $30 billion in home improvement product sales.

While the growth rate for total sales softened this year, it was offset by the fact that inflation has cooled considerably, yielding a sizable gain in real income. The Consumer Price Index rose 5.1% in the first eight months of the year compared with 12.4% for all of 1980.

Also, with inflation slowed and interest rates on the way down, expansion programs among the larger chains may once again heat up. Lowe's, which this year will open only six new units, plans to increase its store count by 6% to 250 by the end of 1983.

Payless Cashways expects to increase its total square footage by 15% or about 15 stores next year. It was one of the few chains with a strong expansion program in 1982, adding 14 units, while other industry giants like Evans, Wickes Lumber, Ernst, Pergament, Boise Cascade and Southwest Forest Industry closed more stores than they opened.

Payless was one of the year's top performers with a DIY volume of $551 million and total sales of $580 million, a 21% increase over 1981 results. Payless appears to be on the threshold of surpassing Lowe's as the nation's third largest home improvement chain.

Also, Atlanta's The Home Depot catapulted to 22nd in DIY volume from 39th last year. The 10-unit chain, which began with four units three years ago, experienced sales growth of about 100% this year, bringing its total volume to $100 million.

Other newcomers among the Top 25 chains are Lanoga, Seattle and Southwest Forest Industries, Phoenix.

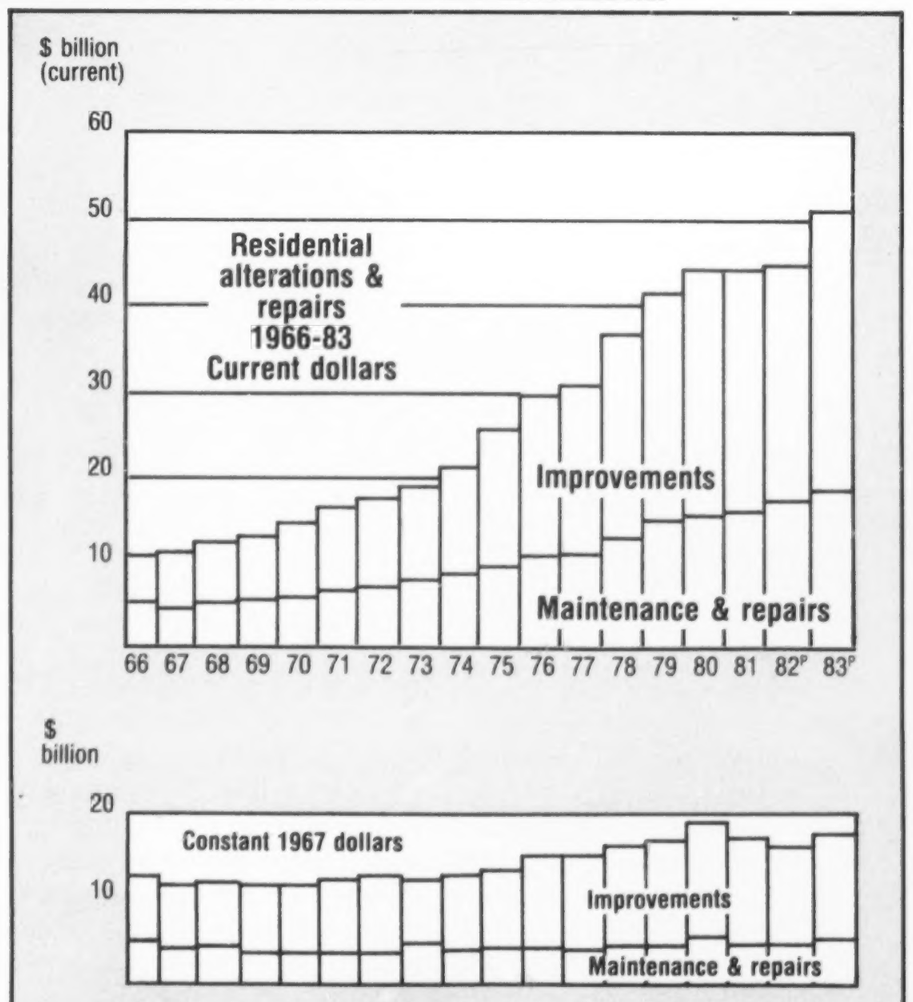
Of the Top 100 chains, 17 will see a drop in total volume and 22 will remain even. Operations that rely heavily on contractor business generally showed the poorest sales performance.

Among the chains that will have a drop in total sales this year are Edward Hines Lumber, Erb Lumber, Lampert Lumber and Diamond International.

Top 100 home center chains

	DIY Sales (in mil.)	DIY Sales (% change)	Total Sales (in mil.)	Total Sales (% change)	% DIY	Store Count
1982	8,926	+11.7	11,751	+ 6.2	75.95	4,184
1981	7,984	+15.7	11,067	+13.9	72.10	4,196
1980	6,903	+11.9	9,709	+11.0	71.70	4,017

NHCN chart



Residential alteration and repair expenditures are expected to total $46.575 billion in 1982, up slightly from $46.351 billion in 1981, then surge sharply in 1983 to $53.5 billion, based on forecasts of Smith Barney vice president, Barbara Alexander.

In real, 1967 dollars, however, the value of residential alterations and repairs will decline in 1982, to $16.01 billion compared to $17.02 billion in 1981 and the record high of $18.76 billion set the year before. Real sales are projected to rebound to an estimated $17.45 billion in 1983.

Source: U.S. Dept. of Commerce, Bureau of the Census, Report C-50; Constant dollar series: I. Michael Kadish Inc.; Smith Barney, Harris Upham & Co. NHCN Chart